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RUEHZK/ECOWAS COLLECTIVE
RUEHC/DEPT OF LABOR WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
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UNCLAS SECTION 01 OF 02 ABUJA 001428

SIPDIS

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USDOC FOR 3317/ITA/OA/KBURRESS
USDOC FOR 3130/USFC/OIO/ANESA/DHARRIS
DOL FOR ANN ZOLLNER
TREASURY FOR DAN PETERS
STATE PASS USTR

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TAGS: [ECPS](#) [ELAB](#) [ECON](#) [ETRD](#) [EINV](#) [PGOV](#) [NI](#)
SUBJECT: TELECOMMUNICATIONS STRIKE IMPACT

REF: ABUJA 1355

¶1. Summary. The strike at state-owned NITEL continued on June 9 to have significant effects on communications and business in Nigeria. The workers went on strike June 4 over salaries overdue since February. A union official said the strike would continue until all outstanding wages, totaling 4 billion naira, were paid. On June 5, the GON "released" 1.7 billion naira, but the strikers said they had not received any of this money. The press reported June 8 that the strike affected the hotel sector badly and "paralyzed" Nigeria's electronic banking system. Internet access now is almost impossible, while many local and international calls are blocked. Losses nationally from the strike are in the billions of naira. If the strike becomes total and lasts much longer, most forms of electronic communication in Nigeria, including by telephone and the Internet, could be shut down totally. All NITEL lines in Lagos and Abuja already have been switched off completely. End summary.

¶2. The current national strike by employees at state-owned Nigerian Telecommunications (NITEL) continued on June 9 to have significant effects on communications and business in Nigeria. The workers, who are members of the National Union of Posts and National Telecommunications Employees (NUPTE), went on strike June 4 over salaries overdue since February and, according to NUPTE, the late payment of housing allowances for the past year. NITEL has more than 10,500 government workers. A union official said the strike would continue until all outstanding wages, totaling 4 billion naira (about \$31 million), were paid.

¶3. NITEL is owed about 80 billion naira (\$625 million) in unpaid bills, of which Government of Nigeria (GON) agencies account for roughly 5 billion naira (\$39 million), Reuters reported. On June 5, the GON "released" 1.7 billion naira (about \$13.28 million) as part of the debts owed to NITEL by government ministries and parastatals, but the strikers said they had not received any of this money.

Strike's Effects Are Wide-Ranging

¶4. The press reported June 8 that the strike affected the hotel sector badly and "paralyzed" Nigeria's electronic banking system, particularly the United Bank for Africa. Major companies affected included the Nigerian National Petroleum Corporation, the Petroleum Product Marketing Company, and the Shell Nigeria Exploration and Production

Co. Subscribers of fixed-wireless networks such as Multilinks, Reltel, and Global System for Mobile Communications (GSM) networks such as MTN Nigeria could not complete calls. The strike prevented most people from sending text messages to international mobile phones and precluding roaming services for mobile lines of Nigerian origin. Because of poor communications, the interbank rate rose sharply, and the overnight rate went from 1 percent to 5 percent, according to a dealer at Citibank. Internet access now is almost impossible, while many local and international calls are blocked. Losses nationally from the strike reportedly are in the billions of naira. (Note: See impact on U.S. Mission communications in reftel.)

Severe Consequences If Strike Continues

¶5. NITEL currently is providing skeletal services and is making a small part of its infrastructure available for use, but if the strike becomes total and lasts much longer, most forms of electronic communication in Nigeria, including by telephone and the Internet, could be shut down totally, a telecoms contact of the embassy explained June 8. NITEL earns more by offering its infrastructure to other telecom operators than it does from providing its own landline and mobile-phone telephone services -- thus increasing the strike's impact. Though NITEL controls only a small percentage of Nigeria's activated mobile-phone lines, it controls a large percentage of activated fixed lines and almost all the country's switching services, as well as the international gateway, an undersea cable called SAT-3. Private telecom operators across Nigeria depend on NITEL's infrastructure for their operations, particularly to connect with each other.

ABUJA 00001428 002 OF 002

¶6. Cellular-phone sites built by GSM companies must be connected to NITEL's fiber-optic cable for interconnection to be possible. Most of Nigeria's Internet service providers depend on NITEL's infrastructure for Internet service. NITEL is one of Nigeria's two national telecom operators. Globalcom is Nigeria's other one and offers some of the services that NITEL provides -- but at far higher prices than does NITEL. Globalcom's credit policy is very strict. Unlike NITEL, Globalcom switches off service to customers that owe it money. Most telecom companies in Nigeria depend on NITEL to route their international calls and data traffic via SAT-3. Most Nigerian telecom operators, including GSM companies, are connected to each other via NITEL switches.

¶7. All NITEL lines in Lagos and Abuja already have been switched off completely. Without a quick resolution of the strike, this could result in the closure of four international gateways, all of which are hooked to the SAT-3 cable linking Nigeria to Africa and other parts of the world.

What effect on NITEL's attempted privatization?

¶8. The GON has sought to privatize NITEL for years, and the Bureau of Public Enterprises (BPE) terms its attempted sale of NITEL a "flagship transaction." In a May 24 press release, the BPE said Nigeria must sell NITEL "sooner rather than later" because the company's value was declining as its financial condition continued to erode. (Comment: While Nigeria's efforts to privatize NITEL almost certainly will continue, this strike, and the economic fallout to NITEL, will further delay the parastatal's sale. End comment.)

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